

NEW APPLICATION

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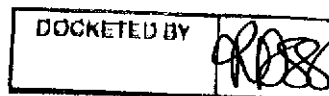
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AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

MAR 31 2010



FENNEMORE CRAIG
A Professional Corporation
Patrick J. Black (No. 017141)
3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012
Telephone (602) 916-5000

Attorneys for Payson Water Company

BEFORE THE ARIZONA CORPORATION COMMISSION

W-03514A-10-0116

IN THE MATTER OF THE APPLICATION
OF PAYSON WATER COMPANY FOR
APPROVAL OF A WATER
AUGMENTATION SURCHARGE TARIFF
(MESA DEL CABALLO SYSTEM)

DOCKET NO: W-03514A-10-_____

APPLICATION FOR APPROVAL OF
WATER AUGMENTATION
SURCHARGE TARIFF

Payson Water Company, an Arizona public service corporation ("Payson Water" or "the Company"), hereby requests that the Arizona Corporation Commission ("Commission") approve certain emergency interim relief, through the issuance of a Water Augmentation Surcharge Tariff ("Tariff"), that will remain effective only for the Mesa del Caballo water system, until permanent rate relief is granted. In support thereof, Payson Water states as follows:

1. Payson Water is an Arizona corporation engaged in providing water utility service within unincorporated portions of Gila County. Payson Water holds a Certificate of Convenience and Necessity, which was transferred to its parent company, Brooke Utilities Inc., by order of the Commission on June 19, 1998. *See* Decision No. 60972.

2. Payson Water's business office is located at 3101 State Rd., Bakersfield, California 93308. The number is (661) 633-7526. Robert Hardcastle is the Executive Officer and President of Brooke Utilities, Inc., the sole shareholder of Payson Water.

1 Mr. Hardcastle is responsible for managing all of the operational, administrative, financial
2 and regulatory performance of Payson Water.

3 3. As of February 28, 2010 Payson Water has approximately 1,502 active
4 water service customers, consisting primarily of single-family homes. As of the same
5 date, there are 369 active water service customers at the Mesa del Caballo water system.
6 Some of the Company's customers are seasonal, especially during the summer months.
7 As a consequence, the number of active connections and customer demand increases
8 substantially during the summer.

9 4. Historically, Payson Water's primary source of water for utility operations
10 has been groundwater pumped from wells located within its service area. However, as the
11 Commission is aware, water supply problems continue to challenge the Company. In fact,
12 the Company augmented its water supply, at its own costs, through the use of water
13 hauling trucks during 2009 for approximately \$59,137. A breakdown of the Company's
14 water augmentation costs for 2009 is attached hereto as Exhibit 1. Because Payson Water
15 cannot absorb further water augmentation costs without jeopardizing its financial
16 viability, the Company has been working with representatives of the Mesa del Caballo
17 Water Committee to formulate both a short and long-term plan for supplementing its
18 water supply, including revisions to its Curtailment Tariff that would apply only to the
19 Mesa del Caballo system. These revisions are believed, by both Payson Water and the
20 Mesa del Caballo Water Committee, to be needed in order to best manage the available
21 water resources for the water system. Payson Water has concurrently filed a Notice of
22 Filing regarding proposed revisions to its Curtailment Tariff, attached hereto as Exhibit 2.

23 5. Payson Water's present rates and charges for water utility service were
24 approved in Commission Decision No. 62401 (March 30, 2000). Payson Water's current
25 rates and charges for water utility service are comparable to those of other water
26 providers. The monthly minimum charge for a 5/8 x 3/4 inch meter for the Mesa del

1 Caballo system is \$16.00, while the commodity rate is \$1.92 per 1,000 gallons for the first
2 4,000 gallons and \$2.99 per 1,000 gallons greater than 4,000 gallons. Payson Water's
3 current fair value rate base was \$846,000 as of Decision No. 62401.

4 6. The Company's long-term plans for water augmentation includes two
5 options; (i) the drilling of a new deep well in the event hydrological studies prove there is
6 a sustainable and economically justified water source underneath the Mesa del Caballo
7 system; or (ii) tapping into the future C.C. Cragin reservoir pipeline that will serve the
8 Town of Payson, which pipeline is presently designed to be built along Houston Mesa
9 Road to a treatment plant located across from the Mesa del Caballo subdivision. These
10 options have been discussed with representatives of the community and will be addressed
11 more fully in the Company's permanent rate case proceeding.

12 7. The Company's short-term plan for water augmentation includes negotiating
13 an agreement with the City of Payson to purchase up to 86,400 gallons of water per day
14 (equivalent to 60 gallons per minute) to supplement the Mesa del Caballo system when
15 water supply is inadequate. Although plans for a temporary pipeline are unlikely to be
16 realized for the summer of 2010, it remains a viable alternative for 2011 or 2012.
17 Nonetheless, with access to water sources from the Town of Payson, the cost of using
18 water hauling trucks will be minimized due to the proximity of the water source closer
19 to the Mesa del Caballo subdivision.

20 8. Payson Water has been working with community representatives in
21 formulating both a long-term and short-term water augmentation plan that incorporates
22 the proposed changes to the Company's existing Curtailment Tariff. A letter of support
23 from the Mesa del Caballo Water Committee is attached hereto as Exhibit 3.

24 9. Payson Water requests that the Commission immediately approve, on an
25 interim basis, the Tariff which is to apply only to the Mesa del Caballo system. A copy of
26 the proposed Tariff is attached hereto as Exhibit 4. The proposed surcharge is revenue

1 neutral by dividing the total water augmentation costs incurred in a calendar month by the
2 total amount of water sold to its customers for the same period. The resulting rate per
3 1,000 gallons of water will then be multiplied by the gallons used in the same period for
4 each customer to determine the surcharge amount per 1,000 gallons. This approach
5 allows customers to control their water costs by regulating the amount of water used.

6 10. An emergency exists that warrants the approval of an interim surcharge
7 because despite its best efforts, Payson Water has been unable to secure a long-term water
8 source that will meet the potential needs of Mesa del Caballo residents for the upcoming
9 2010 summer season. Furthermore, the Company has been consulting and negotiating
10 with the Mesa del Caballo Water Committee and the Town of Payson respectively to
11 augment water supply in the short term, and have recently concluded such consultations.
12 Payson Water is confident that approval of the proposed Tariff is consistent with the
13 wishes of the Mesa del Caballo community. Absent the Tariff, the Company will not be
14 able to supplement the water needs of the community likely beginning any time after
15 May 1, 2010.

16 11. Payson Water will be providing its customers written notice concurrent with
17 the filing of this Application and the Notice of Filing Revisions to its Curtailment Tariff.
18 A copy of the written notice provided to customers is attached hereto as Exhibit 5.

19 WHEREFORE, Payson Water respectfully requests the following relief:

20 A. That the Commission immediately issue a procedural order setting a public
21 hearing no later than 30 days to consider Payson Water's request for approval of an
22 interim water augmentation surcharge;

23 B. That the Commission, based upon the evidence presented, approve the
24 Tariff as proposed by Payson Water herein, specific only to the Mesa del Caballo system,
25 or approve such other interim rates and charges as will ensure the financial soundness of
26 Payson Water;

1 C. That the Commission authorize the interim surcharge until such time that
2 Payson Water is granted permanent rates; and

3 D. That the Commission authorize such other and further relief, including
4 setting a reasonable bond requirement, as may be appropriate under the circumstances
5 herein.

6 RESPECTFULLY SUBMITTED this 31st day of March, 2010.

7 FENNEMORE CRAIG, P.C.

8
9 By: 

10 Patrick J. Black

11 Attorneys for Payson Water Company

12 ORIGINAL and 15 copies filed
13 this 31st day of March, 2010, with:

14 Docket Control
15 Arizona Corporation Commission
16 1200 West Washington Street
17 Phoenix, Arizona 85007

18 By: 

19 2297053.2
20
21
22
23
24
25
26

Payson Water Company

**Application for Approval of Water
Augmentation Surcharge Tariff**

Exhibit 1

Payson Water Co.

Mesa del Caballo Water Hauling Costs 2009 - EXHIBIT 1

24-Mar-10

<u>Date</u>	<u>Load Connt</u>	<u>Gallons</u>	<u>Cost</u>
11-May-09	10	65,000	\$6,300.00
23-Jun-09	10	65,000	\$5,475.00
11-Jul-09	11	71,500	\$5,362.50
21-Jul-09	10	65,000	\$5,475.00
27-Jul-09	19	123,500	\$9,262.50
8-Aug-09	19	123,500	\$9,862.50
14-Aug-09	8	52,000	\$4,500.00
26-Aug-09	24	156,000	\$12,900.00
<u>Total</u>	<u>111</u>	<u>721,500</u>	<u>\$59,137.50</u>

PEARSON WATER CO.

P.O. BOX 193
1120 RODEO RD.
WILLIAMS, AZ 86046

Invoice

DATE	INVOICE NO.
5/18/09	8745

BILL TO
BROOKE UTILITIES PAYSON WATER COMPANY P O BOX 8218 BAKERSFIELD, CA 93380

DELIVER TO
MESA DELL

13/08-01-7170-00

WATER HAULED	QUANTITY	RATE	AMOUNT
05/11 THRU 05/13/09			
2 LOADS -FROM INDIAN CREEK TO MESA DELL 6 HRS EA.	12	150.00	1,800.00
8 LOADS- FROM TONTO TO MESA DELL 3.25 HRS EA. TRAVEL TIME	26	150.00 600.00	3,900.00 600.00
Total			\$6,300.00

PEARSON WATER CO. Invoice

P.O. BOX 193
1130 ROGERS RD.
WILLIAMS, AZ 86046

DATE 7/1/09 INVOICE NO. 8753

DELIVER TO
MESA DELL

BROOKS UTILITIES
PEARSON WATER COMPANY
P O BOX 8216
BAKERSFIELD, CA 93380

WATER HAULED	QUANTITY	RATE	AMOUNT
6-23-09 TO 6-25-09 FROM STARKITE TO MESA DELL 1 @ 3.25 HOUR	3.25	150.00	487.50
FROM TONTO TO MESA DELL 9 @ 3.25 HOUR	29.25	150.00	4,387.50
TRAVEL TIME	4	150.00	600.00
Total			\$5,475.00

00.0212-120-80/21

- no inter company water sales
Payco (TCS) to Payco (WAC)

PEARSON WATER CO.

P.O. BOX 193
1120 RODEO RD.
WILLIAMS, AZ 86046

Invoice

DATE	INVOICE NO.
7/13/09	8754

BILL TO
BROOKE UTILITIES PAYSON WATER COMPANY P O BOX 8218 BAKERSFIELD, CA 93380

DELIVER TO

WATER HAULED	QUANTITY	RATE	AMOUNT
07/11/ -07/14/09	3.25	150.00	487.50
1 LOAD FROM STARLIGHT TO MESA DELL 3.25 HRS			
10 LOADS FROM GISELA TO MESA DELL @ 3.25 HRS EA	32.5	150.00	4,875.00
3 LOADS FROM GISELA TO EAST VERDE @ 3.5 HRS EA	10.5	150.00	1,575.00
TRAVEL TIME 4 HRS	4	150.00	600.00

17/08-04-2170.0

[Signature]

Total	\$7,537.50
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=5362.50

Aug 20 09 02:04p

Pearson, Inc.

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PEARSON WATER CO.

P.O. BOX 193

1120 RODEO RD.

WILLIAMS, AZ 86046

RECEIVED

AUG 20 2009

BROOKE UTILITIES

Invoice

DATE	INVOICE NO.
8/20/09	8759

BILL TO
BROOKE UTILITIES PAYSON WATER COMPANY P O BOX 8218 BAKERSFIELD, CA 93380

DELIVER TO
MESA DELL ARIZONA
13/08.04.7170.00

WATER HAULED	QUANTITY	RATE	AMOUNT
07/21/09 THRU 07/23/09			
✓ 1 LOAD FROM STARLIGHT TO MESA DELL @ 3.25 HRS	3.25	150.00	487.50
✓ 9 LOADS FROM GISELA TO MESA DELL @ 3.25 HRS	29.25	150.00	4,387.50
TRAVEL TIME 4 HRS	4	150.00	600.00
		Total	\$5,475.00

PEARSON WATER CO.

P.O. BOX 193
1120 RODEO RD.
WILLIAMS, AZ 86046

Invoice

DATE	INVOICE NO.
8/20/09	8760

BILL TO
BROOKE UTILITIES PAYSON WATER COMPANY P O BOX 8218 BAKERSFIELD, CA 93380

DELIVER TO
MESA DELL ARIZONA

WATER HAULED	QUANTITY	RATE	AMOUNT
07/27/09 THRU 07/31/09		0.00	0.00
5 LOADS FROM STARLIGHT TO MESA DELL @ 3.25 HRS	16.25	150.00	2,437.50
14 LOADS FROM GISELA TO MESA DELL @ 3.25 HRS	45.5	150.00	6,825.00
1 LOAD FROM GISELA TO EAST VERDE @ 3.25 HRS	3.5	150.00	525.00
TRAVEL TIME @ 4 HRS	4	150.00	600.00

13/08-04-7170.0

9262.50

Total**\$10,387.50**

PEARSON WATER CO.

P.O. BOX 193
1120 RODEO RD.
WILLIAMS, AZ 86046

Invoice

DATE	INVOICE NO.
9/16/09	8783

BILL TO
BROOKE UTILITIES PAYSON WATER COMPANY P O BOX 8218 BAKERSFIELD, CA 93380

DELIVER TO
MESA DELL ARIZONA

13/08-01- 7170.00

WATER HAULED	QUANTITY	RATE	AMOUNT
08/02/09 THRU 08/06/09 14 LOADS FROM STARLITE TO MESA DELL @ 3.25 HRS	45.5	150.00	6,825.00
5 LOADS FROM GISELA TO MESA DELL @ 3.25 HRS TRAVEL TIME 4 HRS	16.25 4	150.00 150.00	2,437.50 600.00
Total			\$9,862.50 ✓

PEARSON WATER CO.

P.O. BOX 193

1120 RODEO RD.

WILLIAMS, AZ 86046

Invoice

DATE	INVOICE NO.
9/16/09	8766

BILL TO
BROOKE UTILITIES PAYSON WATER COMPANY P O BOX 8218 BAKERSFIELD, CA 93380

DELIVER TO
MESA DELL ARIZONA

8/08-01-7170.00

WATER HAULED	QUANTITY	RATE	AMOUNT
08/14/09/ THRU 08/15/09		0.00	0.00
1 LOAD FROM STARLITE TO MESA DELL @ 3.25 HRS	3.25	150.00	487.50
7 LOADS FROM GISELA TO MESA DELL @ 3.25 HRS	22.75	150.00	3,412.50
TRAVEL TIME 4 HRS	4	150.00	600.00
Total			\$4,500.00

PEARSON WATER CO.

P.O. BOX 193
1120 RODEO RD.
WILLIAMS, AZ 86046

Invoice

DATE	INVOICE NO.
9/16/09	8767

BILL TO
BROOKE UTILITIES PAYSON WATER COMPANY P O BOX 8218 BAKERSFIELD, CA 93380

DELIVER TO
MESA DELL ARIZONA

13/08-01-2170.00

WATER HAILED	QUANTITY	RATE	AMOUNT
08/26/09 THRU 09/05/09		0.00	0.00
10 LOADS FROM STARLITE TO MESA DELL @ 3.25 HRS	32.5	150.00	4,875.00
14 LOADS FROM GISELA TO MESA DELL @ 3.25 HRS	45.5	150.00	6,825.00
TRAVEL TIME 8 HRS	8	150.00	1,200.00
		<i>on pm</i>	
		Total	\$12,900.00 ✓

Payson Water Company

**Application for Approval of Water
Augmentation Surcharge Tariff**

Exhibit 2

1 FENNEMORE CRAIG
2 A Professional Corporation
3 Patrick J. Black (No. 017141)
4 3003 North Central Avenue, Suite 2600
5 Phoenix, Arizona 85012
6 Telephone (602) 916-5000

7 Attorneys for Payson Water Company

8
9 **BEFORE THE ARIZONA CORPORATION COMMISSION**

10 IN THE MATTER OF THE NOTICE OF
11 FILING OF PAYSON WATER COMPANY'S
12 PROPOSED CHANGES TO ITS
CURTAILMENT TARIFF (MESA DE
CABALLO SYSTEM)

DOCKET NO: W-03514A-10-_____

**NOTICE OF FILING PROPOSED
CHANGES TO CURTAILMENT
TARIFF**

13 Payson Water Company, an Arizona public service corporation ("Payson Water" or
14 "the Company"), hereby submits this Notice of Filing Proposed Changes to Curtailment
15 Tariff. The purpose of this filing is to establish a modified Curtailment Tariff specific to
16 the needs of its Mesa del Caballo system customers. A copy of the revised tariff, attached
17 hereto as Exhibit 1, was drafted in conjunction with members of the Mesa del Caballo
18 Water Committee. Further, a letter of support from the Mesa del Caballo Water
19 Committee is attached hereto as Exhibit 2.


20 Payson Water has filed an Application for Approval of Water Augmentation
21 Surcharge Tariff concurrent with this filing. The proposed changes to the Company's
22 Curtailment Tariff are made in anticipation that a water augmentation surcharge will be
23 approved by the Commission that will allow Payson Water to supplement its water supply
24 in the event shortages occur. As set forth in the proposed changes, water augmentation
25 requirements are triggered once Stage 3 goes into effect. There are also water
26 augmentation requirements for Stage 4 and Stage 5. Again, these triggers have been

1 discussed and developed in detail with the Mesa del Caballo Water Committee and other
2 community members.

3 The proposed revised Curtailment Tariff will not go into effect unless the Company
4 receives approval of its Water Augmentation Surcharge Tariff, filed concurrently with this
5 Notice of Filing.

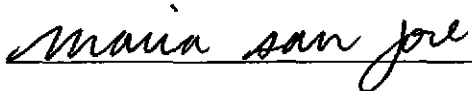
6 RESPECTFULLY SUBMITTED this 31st day of March, 2010.

7 FENNEMORE CRAIG, P.C.

8
9 By: 
10 Patrick J. Black
11 Attorneys for Payson Water Company

12 ORIGINAL and 15 copies filed
13 this 31st day of March, 2010, with:

14 Docket Control
15 Arizona Corporation Commission
16 1200 West Washington Street
17 Phoenix, Arizona 85007

18 By: 

19 2297057.2

Exhibit 1

		Revised	SHEET NO.	
Payson Water Co., Inc.		Revised	SHEET NO.	
	Mesa Del Caballo Water System (PWS 04-030)			
	(Name of Service Area)			

any kind, except as otherwise provided herein; (5) use of water to fill swimming pools, spas, fountain, fish ponds, or ornamental water features; (6) all construction water; (7) restaurant or convenience store patrons shall be served water only on request; and, (8) any other indoor or outdoor water intensive activity. Under Stage 3 conditions the Water System is prohibited from supplying water to any standpipe and the installation of new water meters and new service lines is prohibited.

WATER AUGMENTATION: Under Stage 3 conditions the Company will undertake reasonable measures to augment its well production until such time that Stage 3 conditions are achieved for forty-eight (48) consecutive hours. In all cases where the Company employs water augmentation the Water System's Water Augmentation Surcharge shall become applicable.

NOTICE: Under Stage 3 conditions the Company is required to notify customers by (a) door-to-door delivery of written notices at each service address; or, (b) by changing local water conservation staging signs; or, (c) by means of electronic mail; or, (d) by means of any other reasonable means of notification of customers of the Water System; of the imposition of the Curtailment Tariff, the applicable Curtailment Stage, a general description of conditions leading to Stage 3 conditions, and a need to conserve water.

ENFORCEMENT: Once the Company has properly provided notice of Stage 3 conditions, the failure of a customer to comply with this Curtailment Plan within twenty-four (24) hours of receiving notice of its violation of this Curtailment Plan will result in the immediate disconnection of service, without further notice, in accordance with Arizona Administrative Code R14-2-410 (B)(1)(d). The reconnection fee for a violation of a Stage 3 curtailment notice shall be: (1) first offense \$200; (2) second offense \$350; and (3) third offense \$750. If a customer believes their water service has been disconnected in error the customer may contact the Commission's Consumer Services Section at (800) 222-7000 to initiate further investigation.

Stage 4 Exists When: Water System's storage level is less than 60% of capacity but more than 50% of capacity for at least twenty-four (24) consecutive hours. Further, the Company has identified operational circumstances such as a steadily declining water table, increasing draw down threatening pump operations, or decreasing well production creating a reasonable belief that the Water System will be unable to meet anticipated sustained water demand.

RESTRICTIONS: Under Stage 4 conditions mandatory conservation measures should be employed by customers to reduce indoor and outdoor water consumption by at least 40% as measured on a daily basis. Further water use restrictions shall include: (a) no outside watering is permitted on Mondays, Thursdays, Fridays, and Sundays; (b) outside watering is permitted on Tuesdays for customers with street addresses ending with an odd number; (c) outside water is permitted on Wednesdays for customers with street addresses ending with an even number; (d) during the Peak Season outdoor watering using spray or airborne irrigation shall be conducted only during the hours of 8:00 p.m. and 12:00 Midnight, or during the hours of 3:00 a.m. and 7:00 a.m. Under Stage 4 conditions the Company shall inform customers of the Water System's mandatory restriction to employ water conservation measures to reduce daily consumption. Failure of

ISSUED:			EFFECTIVE:	
	Month Day Year			Month Day Year
		ISSUED BY: Robert T. Hardcastle		
		3101 State Road		
		Bakersfield, CA 93308		
		Decision No.		

		Revised	SHEET NO.	
Payson Water Co., Inc.		Revised	SHEET NO	
	Mesa Del Caballo Water System (PWS 04-030)			
	(Name of Service Area)			

customers to comply with this requirement may result in service disconnection as described by this Curtailment Plan. Under Stage 3 conditions the following uses of water are strictly prohibited: (1) outdoor irrigation of lawns, trees, shrubs, or any plant life, except as otherwise provided herein; (2) washing of any vehicle; (3) use of water for dust control or outdoor cleaning uses; (4) use of outdoor drip irrigation or misting systems of any kind, except as otherwise provided herein; (5) use of water to fill swimming pools, spas, fountain, fish ponds, or ornamental water features; (6) all construction water; (7) restaurant or convenience store patrons shall be served water only on request; and, (8) any other indoor or outdoor water intensive activity. Under Stage 4 conditions the Water System is prohibited from supplying water to any standpipe and the installation of new water meters and new service lines is prohibited.

WATER AUGMENTATION: Under Stage 4 conditions the Company will undertake reasonable measures to augment its well production until such time that Stage 3 conditions are achieved for forty-eight (48) consecutive hours. In all cases where the Company employs water augmentation the Water System's Water Augmentation Surcharge shall become applicable.

NOTICE: Under Stage 4 conditions the Company is required to notify customers by (a) door-to-door delivery of written notices at each service address; or, (b) by changing local water conservation staging signs; or, (c) by means of electronic mail; or, (d) by means of any other reasonable means of notification of customers of the Water System; of the imposition of the Curtailment Tariff, the applicable Curtailment Stage, a general description of conditions leading to Stage 4 conditions, and a need to conserve water.

ENFORCEMENT: Once the Company has properly provided notice of Stage 3 conditions, the failure of a customer to comply with this Curtailment Plan within twenty-four (24) hours of receiving notice of its violation of this Curtailment Plan will result in the immediate disconnection of service, without further notice, in accordance with Arizona Administrative Code R14-2-410 (B)(1)(d). The reconnection fee for a violation of a Stage 3 curtailment notice shall be: (1) first offense \$400; (2) second offense \$750; and (3) third offense \$1,500. If a customer believes their water service has been disconnected in error the customer may contact the Commission's Consumer Services Section at (800) 222-7000 to initiate further investigation.

Stage 5 Exists When: Water System's storage level is less than 50% of capacity for at least twelve (12) consecutive hours. Further, the Company has identified operational circumstances such as a steadily declining water table, increasing draw down threatening pump operations, or decreasing well production creating a reasonable belief that the Water System will be unable to meet anticipated sustained water demand.

RESTRICTIONS: Under Stage 5 conditions mandatory conservation measures should be employed by customers to reduce indoor and outdoor water consumption by at least 50% as measured on a daily basis. Under Stage 5 conditions no outside watering is permitted. Under Stage 5 conditions the Company shall inform customers of the Water System's mandatory restriction to employ water conservation measures to reduce daily consumption. Failure of customers to comply with this requirement may result in service

ISSUED:			EFFECTIVE:	
	Month Day Year			Month Day Year
		ISSUED BY: Robert T. Hardcastle		
		3101 State Road		
		Bakersfield, CA 93308		
		Decision No.		

		Revised	SHEET NO.	
Payson Water Co., Inc.		Revised	SHEET NO	
	Mesa Del Caballo Water System (PWS 04-030)			
	(Name of Service Area)			

WATER CONSERVATION STAGING SIGN NOTICES

If the Company elects to provide customer water conservation stage notice by use of local sign postings the Company shall post and maintain at least two (2) signs per water system in noticeable locations that include the entrance to major subdivisions indicating the Company is operating under its Curtailment Plan Tariff, beginning with Stage 1. Each signs shall be at least four feet by four feet and color-coded to denote the current stage, as follows:

Stage 1	Green
Stage 2	Blue
Stage 3	Yellow
Stage 4	Orange
Stage 5	Red

The Company shall notify the Consumer Services Division of the Utilities Division within two hours of entering Stage 3, Stage 4, or Stage 5 conditions.

RECONNECTION FEES

All reconnection fees shall be cumulative for a calendar year regardless of the Stage that an offense occurs. For example, if a customer fails to meet the requirements of a water conservation stage, observe required water conservation measures under a Stage 3 condition, and after receiving notice that a water conservation stage is in effect, the reconnection fee will be \$200. If the same customer in the same calendar year commits an offense under Stage 5 conditions, the reconnection fee shall be \$1,500. By May 15 and October 15 annually the Company shall provide the Director of the Utilities Division with a list of customers why paid reconnection for failure to comply with the mandatory provisions of the Curtailment Plan Tariff.

Any customer who has service disconnected according to this Curtailment Plan Tariff more than once during a calendar year shall have those terminations count against them in the next calendar year for purposes of establishing the reconnection fee, should another disconnection occur.

ISSUED:			EFFECTIVE:	
	Month Day Year			Month Day Year
		ISSUED BY: Robert T. Hardcastle		
		3101 State Road		
		Bakersfield, CA 93308		
		Decision No.		

		Revised	SHEET NO.	
Payson Water Co., Inc.		Revised	SHEET NO.	
	Mesa Del Caballo Water System (PWS 04-030)			
	(Name of Service Area)			

WATER CONSUMPTION CALCULATION OF "DAILY USE"

For the purpose of calculating "daily use" under the Restriction section of Stage 2, Stage 3, Stage 4, and Stage 5 water conservation conditions, the following definition shall apply:

Customer water meter reading today, minus the customer water meter yesterday, multiplied by 30 days, compared to the higher of (a) the immediately preceding month's actual water consumption, or (b) the same month last year for the same service location. Under this definition of "daily use" the water customer shall be deemed in violation of a specific water conservation Stage if the calculation of "daily use" exceeds the higher of either (a) or (b) herein.

Example 1: Customer meter reads 0000986654 today. Customer meter reads 0000986354 yesterday. The difference in meter reads is 300 gallons for one day or 9,000 gallons for 30 days. Customer actual use in the immediately preceding month was 7,000 gallons. Customer's actual use in the same month last year was 6,000 gallons. Under Stage 3 mandatory water conservation conditions the customer is required to reduce consumption 30% or 2,700 gallons. Customer is in violation of Stage 3 condition because his current "daily use" calculation is greater than either period (a) or period (b) as defined herein.

Example 2: Customer meter reads 000055411 today. Customer meter reads 000055311 yesterday. The difference in meter reads is 100 gallons for one day or 3,000 gallons for 30 days. Customer actual use in the immediately preceding month was 6,000 gallons. Customer actual use in the same month last year was 5,000 gallons. Under Stage 3 mandatory water conservation conditions the customer is required to reduce consumption 30% or 900 gallons. Customer is not in violation of Stage 3 condition because his current "daily use" calculation has been reduced more than either period (a) or period (b) as defined herein.

Example 3: Customer meter reads 003130 today. Customer meter reads 003000 yesterday. The difference in meter reads is 130 gallons for one day or 3,900 gallons for 30 days. Customer actual use in the immediately preceding month was 6,000 gallons. Customer's actual use in the same month last year was 3,000 gallons. Under Stage 3 mandatory water conservation conditions the customer is required to reduce consumption 30% or 1,170 gallons. Customer is in violation of Stage 3 conditions because his current "daily use" calculation has not been reduced more than period (b) as defined herein.

ISSUED:			EFFECTIVE:	
	Month Day Year			Month Day Year
		ISSUED BY: Robert T. Hardcastle		
		3101 State Road		
		Bakersfield, CA 93308		
		Decision No.		

Exhibit 2

8025 Vista del Norte
Payson, AZ 85541-6163
March 16, 2010

Arizona Corporation Commission
Commissioners Wing
1200 West Washington
Phoenix, AZ 85007-2996

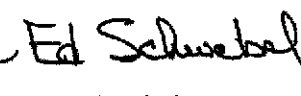
To Whom It May Concern:

Mesa del Caballo is a small community of approximately 1200 citizens located 2 miles NE of Payson. The Mesa del Caballo Water Committee consists of Ed Schwebel, Irene Schwartzbauer, Minnie Norman, and Randy Norman. Since August, 2009, we have worked with Brooke Utilities, a.k.a. Payson Water Co, Inc., to revise the Curtailments for our community. The Curtailments and Water Augmentation Surcharge being submitted to you have been composed with our direct and continuous input. These will help our community deal with our available water supply in a more reasonable manner both for us and the Payson Water Co., Inc.

Sincerely,


Randy Norman


Minnie Norman

 
Irene Schwartzbauer Ed Schwebel

Ed Schwebel

Payson Water Company

**Application for Approval of Water
Augmentation Surcharge Tariff**

Exhibit 3

8025 Vista del Norte
Payson, AZ 85541-6163
March 16, 2010

Arizona Corporation Commission
Commissioners Wing
1200 West Washington
Phoenix, AZ 85007-2996

To Whom It May Concern:

Mesa del Caballo is a small community of approximately 1200 citizens located 2 miles NE of Payson. The Mesa del Caballo Water Committee consists of Ed Schwebel, Irene Schwartzbauer, Minnie Norman, and Randy Norman. Since August, 2009, we have worked with Brooke Utilities, a.k.a. Payson Water Co, Inc., to revise the Curtailments for our community. The Curtailments and Water Augmentation Surcharge being submitted to you have been composed with our direct and continuous input. These will help our community deal with our available water supply in a more reasonable manner both for us and the Payson Water Co., Inc.

Sincerely,


Randy Norman


Minnie Norman

 
Irene Schwartzbauer Ed Schwebel

Ed Schwebel

Payson Water Company

**Application for Approval of Water
Augmentation Surcharge Tariff**

Exhibit 4

		Revised	SHEET NO.	
Payson Water Co., Inc.		Revised	SHEET NO.	
	Mesa Del Caballo Water System (PWS 04-030)			
	(Name of Service Area)			

WATER AUGMENTATION SURCHARGE

MESA DEL CABALLO WATER SYSTEM (PWS 04-030)

Payson Water Co., Inc. ("Company") is authorized to make monthly adjustments to its rates and charges for water service to recover costs incurred for bulk water purchases and related transportation ("Water Augmentation Surcharge") for service to its Mesa del Caballo water system (PWS 04-030) located in Payson, Gila County, Arizona ("Water System").

The Water Augmentation Surcharge shall be calculated by dividing the total Water Augmentation Costs incurred in a calendar month by the total amount of water sold to its customers for the same period. The resulting rate per 1,000 gallons of water will then be multiplied by the gallons used in the same period for each customer to determine the surcharge amount per 1,000 gallons. The resulting Water Augmentation Surcharge will be charged to Water System customers in the immediately following period as a separate line item on the customer's water bill.

The Commission recognizes that operational decisions regarding water supply management should be left within the discretion of the Company and that deficient water supply conditions sometimes require the Company to concurrently augment its primary water supplies to meet customer demand. The foregoing notwithstanding, the Company shall undertake reasonable efforts to maximize the quantity of water obtained from its groundwater sources as a primary source of supply.

ISSUED:			EFFECTIVE:	
	Month Day Year			Month Day Year
		ISSUED BY: Robert T. Hardcastle		
		3101 State Road		
		Bakersfield, CA 93308		
		Decision No.		

Payson Water Company

**Application for Approval of Water
Augmentation Surcharge Tariff**

Exhibit 5

NOTICE OF FILINGS – PAYSON WATER COMPANY

Application for Approval of Interim Water Augmentation Surcharge
and
Notice of Filing Revised Curtailment Tariff

[Mesa del Caballo System]

Dear Customer –

On March 30, 2010, Payson Water Company filed with the Arizona Corporation Commission (“ACC”) an application for Approval of an Interim Water Augmentation Surcharge (“Surcharge”), and a Notice of Filing Revised Curtailment Tariff (“Tariff”), applicable to its Mesa del Caballo water system. Developed in conjunction with the Mesa del Caballo Water Committee (“Committee”), the proposed interim Surcharge would allow Payson Water Company to pass through the direct costs of water augmentation service in the event groundwater supplies are insufficient to serve the Mesa del Caballo subdivision while a longer term plan is developed. The proposed Tariff, which was also developed in conjunction with the Committee, modifies current water curtailment requirements and specifies when water augmentation is necessary to supplement water production.

Payson Water Company has requested the ACC to process the application and notice on an **expedited basis** so that a mechanism is in place for cost recovery before any summertime water shortages need to be addressed. The company has absorbed the costs of its 2009 water augmentation activity on behalf of customers. The company is requesting that any future water augmentation costs be passed directly through to customers, on an interim basis and without any profit or markup to Payson Water Company whatsoever, until a permanent rate case and long-term water supply solution can be established with approval from the ACC.

A copy of the Application and Notice can be found at the ACC’s website at www.azcc.gov. To request a written copy of either document, please call the company’s Call Center at (800) 270-6084. We encourage you to participate in the ACC proceedings so that any questions or concerns can be appropriately addressed as part of the public process. The company has requested that a hearing on its Application be held no later than 20 days after it was filed with the ACC.